



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Deval L. Patrick, Governor ◆ Timothy P. Murray, Lt. Governor ◆ Aaron Gornstein, Undersecretary

Testimony of Aaron Gornstein
Before the Joint Committee on Housing

“An Act Financing the Production and Preservation of Housing for Low and Moderate Income Residents” (H. 3333)

April 4, 2013

Good morning. Chairman Honan, Chairman Eldridge, and members of the committee, I am Aaron Gornstein, Undersecretary for Housing and Community Development and I am pleased to have the opportunity to appear before you today to testify on Governor Patrick’s housing bond bill, House 3333.

Before I begin, I want to thank you for your commitment to affordable housing and for your willingness to work with the Administration on so many of our housing initiatives and priorities.

Governor Patrick has filed a housing bond bill in the amount of \$567million to continue the Commonwealth’s investments in affordable housing. This bill is part of a series of bond bills that support the five-year FY2013-2017 Capital Investment Plan that was released in October of 2012.

The Capital Investment Plan and this Bond Bill represent the second installment in the Patrick-Murray Administration’s effort to reverse previous decades of under-investment; to create jobs; and, to improve the Commonwealth’s economic future by supporting public assets like the state’s public housing portfolio and by building new, desperately needed affordable housing for low- and moderate residents.

Since then, the nation has gone through the Great Recession, from which Massachusetts is emerging with a growing innovation economy and a resurgent housing market.

In preparing this bond bill, our goal was to ensure that the 2013 five-year Capital Plan was fully funded, and that the needs identified in that plan were met while at the same time being fiscally responsible. This bond bill does that. It is a four-year authorization that utilizes the as of yet uncommitted authorized funds from the last housing bond bill.

I’d like to take a moment and highlight a few programs. The single largest line item in the Bond Bill is for Public Housing Modernization and Revitalization. The Commonwealth has approximately 45,000 units in its public housing portfolio, more than any other state in the nation.

When he took office, Governor Patrick inherited a neglected public housing system, much of which was built in the 1950's, with a backlog of expired building systems and deferred maintenance. He dramatically increased the Commonwealth's capital investment in public housing to address this challenge.

Every year since 2008, we have reinvested \$90 million to renovate, redevelop, make ADA compliant, and maintain our public housing stock. There are about 1800 projects of various degrees of complexity in our pipeline at all times. Our recommendation will ensure that this investment will continue so that these much-needed projects will be completed.

The Administration has also made strides in expanding and preserving affordable housing development that is owned by non-profit and for-profit sponsors. By awarding \$453 million to 354 low income developments in 123 cities and towns across the Commonwealth, we have been able to:

- Develop or preserve 13,346 units of housing for families, seniors, and people with disabilities;
- Leverage approximately \$1.53 billion in other state, local and federal funds
- Modify over 1,070 homes to increase accessibility and improve safety for households with persons with disabilities; and,
- Create 17,104 jobs for Massachusetts workers

Some of the key programs for private housing development include:

- \$32 million for community based housing, to support appropriate housing for persons with disabilities
- \$76 million for the Affordable Housing Trust Fund, which provides resources to create or preserve affordable housing for households whose incomes are below 100% of area median income
- \$37 million for the Housing Stabilization Fund, which was created in the 1993 Housing Bond Bill as a response and supplement to the federal government's creation of the HOME program the previous year
- \$26 million for the Housing Innovations Fund, which supports the creation of thousands of affordable SROs and apartments for persons with special needs and formerly homeless households.

There are also some modest technical changes to the housing development programs that are included in the bond bill that will reduce barriers to development of low-income housing by removing unnecessary restrictions on refinancing projects; enable non-profit developers to receive additional cash flow from their projects; and, allow the Housing Innovations Fund to be

used for more than 50% of the total development cost of a project. These standard changes are supported by housing advocates and developers, and will increase the effectiveness of these capital programs.

In addition to this proposed bond bill, the Administration will use uncommitted authorization from the 2008 bond bill to support the plan. By adding the uncommitted, authorized funds to the new proposal, the total of the proposed funding is \$1.07 Billion.

Before I conclude, I would also like to take this opportunity to update you on the Governor's reforms to the public housing system and our efforts to reduce homelessness.

Governor Patrick and this Administration strongly believe that one of government's most critical functions is to provide the platform and the tools necessary to help people help themselves-- this means prioritizing job growth, spreading opportunity to every corner of the Commonwealth, and positioning Massachusetts to compete for jobs and talent in the global marketplace.

And that's why the Governor has proposed a balanced, responsible budget that makes investments in education, innovation, and infrastructure that will grow jobs and opportunity in the near-term, and strengthen our Commonwealth in the long term.

And while the Governor's budget makes investments in education, transportation and infrastructure it also continues our commitment to preventing homelessness and creating more affordable housing.

The Governor's budget creates a new Housing Preservation and Stabilization Trust that would be authorized flexibly for the purposes of strengthening our housing-first agenda, including RAFT, MRVP and public housing.

The Governor's proposal will allow the Administration to utilize resources in a more cost-effective and flexible manner. DHCD will also use the trust to invest in affordable housing programs proven to keep families and individuals permanently housed in the most cost-effective manner possible.

The Patrick-Murray Administration, along with the Massachusetts Legislature, is making the most significant state investments in affordable housing and homelessness prevention since the 1980s including the RAFT homelessness prevention program; the creation of thousands of units of affordable housing for families, and new rental assistance to help families pay rent; and financial assistance to help families avoid shelter and leave shelter.

The state uses motels across the Commonwealth as an overflow emergency shelter system when the current contracted beds are full. Every day our local providers are working on rehousing strategies with each of the families in these motels to move them into permanent affordable housing.

Motels are not good places for families to raise children. They are often one room spaces with no cooking facilities or play spaces. They are also very costly and we believe that providing more permanent affordable housing solutions is a better use of tax payer dollars.

In November, the number of families staying motels hit 1800. Last night, the number was 1222. That's a difference of 578 families and a drop of more than 30% in four months. Each hotel room costs approximately \$80 a night. That's a savings of over \$46,000 a night to the tax payers and better living conditions for these families. To help us achieve these results, since the fall of 2012 we have:

- Implemented new regulations to provide for a targeted emergency shelter system, while maintaining a strong safety net.
- Provided homeless prevention assistance through the expanded RAFT Program to more than 2,300 families at an average cost of \$2,500 per family.
- Issued 700 new mobile rental vouchers to help families in emergency shelter relocate to permanent affordable housing.
- Developed 140 units of supportive housing with project-based rental assistance and service coordination dollars and launched a new initiative with 18 state agencies to create 1,000 supportive housing units over the next three years.
- Helped more than 2,000 families to leave shelter and 500 families to avoid shelter through the HomeBase Program, with assistance of \$4,000 per family.
- Launched a new Secure Jobs initiative with the Fireman Foundation to link HomeBase families with job training, employment, transportation, and child care.
- Completed a comprehensive plan to reduce and end homelessness among veterans.

Finally, I would like to give you an overview of the progress we are making with the Governor's reform of the Public Housing system.

As I mentioned earlier, Massachusetts has approximately 45,000 units of state public housing in our portfolio. Last year, the Governor's Commission for Public Housing Sustainability and Reform recommended a series of steps that, combined with other administrative actions we have taken, will result in a more efficient and transparent public housing system. The administrative actions have focused on transparency, financial reporting, contract and salary restrictions, turnover of vacant units, and board training. Additionally, the Administration has made many other public housing initiatives, including a commitment of over \$2 million to assist Local Housing Authorities in bringing approximately 225 unoccupied units back on line and \$3 million to address immediate health and safety issues. A complete status report on all of our reforms can be found on the DHCD web site.

The Governor has also filed legislation that will restructure the current archaic and inefficient system to one where the 240 Local Housing Authorities will be consolidated into six Regional Housing Authorities. The six RHAs will each consist of one executive director, an appointed governing board, regional management staff and local site managers. Daily operations affecting tenants will continue to be addressed by local staff, while more complex property management responsibilities will benefit from centralized expertise and experienced oversight. Local site staff will be among the most important in the system and will provide the all-important “local touch” that is essential to successful property management.

The proposed system will be able to take advantage of the economies of scale in purchasing, computing, and administrative functions. To ensure that communities will have control over land use decisions, every municipality will have the option of either establishing a Local Housing Board or bringing those decisions in under the local government structure, for instance the Board of Selectmen.

We believe strongly that the proposed regionalized system will save money, increase transparency, improve tenant services, and increase efficiency across the entire system.

I want to thank you, Chairman Honan and Chairman Eldridge, for the opportunity to speak to the Administration’s Housing Bond Bill, and two of our most critical reforms. I look forward to working with you on these and other initiatives.